

CITY OF LANGLEY
Island County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Expenditures Of The City Should Be Limited To Appropriations

Our review of budget compliance revealed that city officials allowed expenditures to exceed appropriations for the 1993 fiscal year. Expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Difference</u>
Fund 001			
General Government	\$552,873	\$592,134	\$39,261
Fund 102			
Arterial Streets	112,037	138,416	26,379

Cities are prohibited from incurring expenditures in excess of budget appropriations by RCW 35A.33.120, which states in part:

... the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year

The excess expenditures resulted from an oversight of city officials in providing budget authority to expend the proceeds from interfund loans and the failure to properly monitor or amend budgets.

A similar condition was reported in our audit report of the city's operations for the fiscal year 1992. (Report No. 55603)

We recommend that city officials limit expenditures to appropriations.

2. The City Officials Should Not Allow Funds To Have A Deficit Net Cash And Investment Balance

Our audit of ending cash and investment balances revealed that city officials allowed three funds to have deficit net cash and investment balances at December 31, 1993. The funds and the ending deficit net cash and investment balances follow:

<u>Fund</u>	<u>Amount</u>
General Government Fund	\$(46,119)
Cemetery Fund	(5,936)
Office Improvements	(4,768)

The operations of these funds with deficit cash balances essentially constitutes loans to these funds from other funds of the city without payment of interest.

RCW 43.09.210 states in part:

. . . no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

The deficit cash balances occurred due to accounting errors and inadequate monitoring of cash. A similar condition was reported in our 1992 audit report (Report No. 55603).

We again recommend that city officials institute policies and procedures to monitor individual fund cash requirements. We also recommend that officials formally determine if interfunds loans should be approved prior to incurring deficit balances.

3. Minutes For All City Council Meetings Need To Be Recorded

During the audit period, January 1, 1993, through December 31, 1993, the city council held workshops once a month for its members. Minutes for these workshops were not properly recorded as required.

RCW 42.32.030 requires:

The minutes of all regular and special meetings except executive sessions . . . shall be promptly recorded and such records shall be open to public inspection.

City officials believed that they were not taking any "action" during these meetings, but were using these meetings to discuss, review and prepare for their regular meeting, and therefore the meetings were not subject to open meetings statutes. They were apparently not familiar with all of the provisions of the open meetings statutes included in Chapter 42.30 RCW.

RCW 42.30.020 (3) defines action:

"Action" means the transaction of the official business of a public agency by a governing body including but not limited to receipt of public testimony, deliberations, discussions, considerations, reviews, evaluations, and final actions.

When city officials did not prepare minutes for all meetings held during 1993, the public did not have access to the complete record of discussions and presentations offered during these workshops.

We recommend that city officials record and maintain minutes for all workshops as required by statute. We also recommend that officials familiarize themselves with all the provisions of Chapter 42.30 RCW.

4. City Treasurer Should Make Timely Principal Payments On Local Improvement Bonds

Our review of local improvement district (LID) debt service and guarantee funds disclosed that the city treasurer did not make timely principal payments on bonds when sufficient money was available to retire bonds as required by statute. In addition, interest on installment billings to property owners was charged at 9.75 percent instead of 10.25 percent, as fixed by ordinance 478. These conditions resulted in the city incurring additional interest expense on outstanding bonds that was not covered by interest revenue from assessments receivable. The additional interest expense was paid for with the proceeds from assessments receivable. As a result, at the end of 1993, LID bonds payable exceed assessments receivable and available cash balances by approximately \$6,500.

RCW 35.45.050, states in part:

. . . the city or town treasurer shall call in and pay the principal of one or more bonds of any issue in their numerical order whenever there is sufficient money in any local improvement fund

The failure to call bonds on a timely basis resulted from insufficient review of LID activity by the city treasurer from 1986 to 1993. There was no yearly analysis of cash available in the LID debt service fund to retire bond principal. Also, no yearly comparison was made between the amount of interest the city received on assessments and the amount paid for debt service.

We recommend that the city treasurer call LID bonds on a timely basis whenever there is sufficient money in the district funds as required by statute. We also recommend that officials budget an amount each year, over the remaining life of the bonds to replace the \$6,500 shortage in principal.